



MICHIGAN HEALTH & HOSPITAL ASSOCIATION

Linking patients, communities, and providers together for better health.

**Statement for the Record
House Energy and Commerce Committee
Hearing on Medicaid Reform
February 6, 2003**

The Michigan Health & Hospital Association appreciates the opportunity to enter this statement for the record on Medicaid reform on behalf of our 143 member hospitals. The MHA shares the committee's concern that the Medicaid program must be strong in order to continue meeting the health care needs of our most vulnerable people. In Michigan more than 1 million poor, disabled and elderly people rely on Medicaid for their care.

The importance of this role has never been more critical than today. The current economy has forced many Americans out of work, pushing them and their families into the ranks of the uninsured. Medicaid has historically served as a buffer to the perils of an uncertain economy by providing access to health services for those who cannot afford it. Yet, today's recession has thrust upon states the most serious fiscal crisis in over 50 years. During the past two years, Michigan has imposed Medicaid cutbacks in some form to fill budget gaps. Michigan exhausted its Medicaid trust fund to prevent direct cuts in Medicaid eligibility or key services. Despite these measures, Michigan faces a \$500 million shortfall in Medicaid funding for its fiscal year beginning October 1, 2003. Effective March 1, Michigan will eliminate 39,000 caregiver beneficiaries from Medicaid

eligibility. Some health services and payments to health care providers are certain to be cut in the new fiscal year, perhaps by as much as 15 percent. It is imperative that any federal action to address the current crisis, and any federal efforts to change the current structure of the Medicaid program, must not put further financial pressure on the states nor diminish the guarantee of coverage for our most vulnerable residents.

The Administration proposal seeks fundamental change to the Medicaid program and ties any fiscal relief for states to the acceptance of such proposed changes. It weakens the guarantee of coverage for vulnerable populations and dismantles the Disproportionate Share Hospital Payment (DSH) program. DSH is a primary source of support for Michigan safety net hospitals that serve Medicaid beneficiaries and the uninsured and underinsured. The proposal loosens federal oversight and state accountability. And it is the poor, disabled and elderly that would be affected.

Provide Fiscal Relief -- The MHA believes that the current fiscal crisis faced by states demands immediate and meaningful federal support. That support could be in the form of an increase in the federal Medicaid matching percentage (FMAP) or other relief that would allow states to use such funds to help support their Medicaid programs. States should not be forced to radically transform their programs to receive such fiscal relief, nor should they be compelled to reduce future spending to repay the federal support given now.

Protect the Vulnerable -- The MHA believes that this nation has an obligation to care for the neediest of our society. A federally enforced entitlement to a set of meaningful benefits for this population must be maintained. An approach that requires coverage of the mandatory Medicaid population, but allows states absolute flexibility in deciding which non-mandatory populations and health care services will be covered in the future, begins to erode the guarantee to coverage that has long been a fundamental feature of the Medicaid program. Optional services such as prescription drugs for the poor, elderly, and disabled, could be eliminated. Medicaid coverage for other non-mandatory children, parents, disabled and elderly people, in addition to the caregiver beneficiaries already facing the loss of coverage, could be eliminated, thereby swelling the ranks of the uninsured.

Maintain Financial Integrity --The MHA believes that the federal and state governments have an obligation and responsibility to maintain their financial commitment to the program. The Administration proposes to sever the federal and state financial partnership and replace it with a fixed federal commitment and a state maintenance of effort, which begins to unravel the financial foundation of the Medicaid program. At the heart of the proposal is the absorption of the Medicaid DSH funds into the acute care allotment. The current Medicaid DSH program is the reason that many hospitals have been able to continue serving our most vulnerable people. The elimination of this discrete payment program would be a devastating blow to these hospitals, and to the poor and uninsured patients they serve. Many of these hospitals are in financial jeopardy; many are the sole source of care in their communities. Their failure would put

communities at risk, because without them, medical services, social services and important jobs would disappear.

The committee should enact the Medicaid Safety Net Hospital Continued Preservation Act introduced by Reps. Ed Whitfield (R-KY) and Diana DeGette (D-CO), respectively. This bipartisan bill would eliminate a scheduled falloff in federal Medicaid DSH funding, so that in 2003 and beyond each state DSH program can grow with inflation. Without congressional action, Michigan alone will lose \$30 million in DSH funding this year. Such a cut to hospitals in Detroit, Grand Rapids, Flint, Saginaw, Lansing and Kalamazoo is compounded by the chronic underfunding of the Michigan Medicaid program. The Whitfield-DeGette legislation would provide more meaningful help to states, and support to financially vulnerable hospitals serving the neediest patients.

In addition, the Administration's approach would cap federal spending using FY 2002 spending as the base year, updated yearly by a non-specified trend factor. The required state maintenance of effort would also be tied to the FY 2002 base year amounts, with annual updates. What this translates into is a capped program that over time will struggle to meet the needs of the mandatory population by putting pressure on states to reduce coverage to the non-mandatory populations and to reduce payments to providers.

Protect Access to Care -- The MHA believes that adequate provider payment is critical to ensuring that Medicaid beneficiaries have access to needed services by making certain there are providers available. Current Medicaid law has minimal protections that are

mostly geared to making the payment rate-setting process more public. The MHA advocates that these current protections should be expanded and strengthened.

The MHA also believes that federal oversight of state Medicaid programs serves as an important tool in protecting access to health care services for vulnerable people. The federal government oversight role ranges from overseeing Medicaid managed care plans to making certain enrollees have access to quality health care providers, to assuring the financial integrity of the program by making certain states spend their Medicaid funds on health care. The Administration's approach would significantly weaken this oversight role for the federal government and erase state accountability for the management of their programs.

The Medicaid program has played a vital role in providing access to health care services to millions of Americans over its 40-year history. The current fiscal crisis faced by states should not be the impetus for dismantling the program and abandoning its mission of serving those who need help the most -- poor children and their families, the elderly and disabled. States need immediate and meaningful fiscal relief and any flexibility granted state governments should not put at risk the mission of the Medicaid program. The MHA is committed to working with the committee, Michigan's congressional delegation and the Granholm administration to improve the Medicaid program without dismantling what is left of the health care safety net.